

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 AID-05 CIAE-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 /060 W

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R 060930Z NOV 76

FM AMCONSUL FRANKFURT

TO SECSTATE WASHDC 6171

INFO AMEMBASSY BONN

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: BEXP, GW

SUBJ: GERMAN-POLISH COPPER AGREEMENT AND RELATED DM 300 MILLION

CREDIT--FINANCIAL ASPECTS

SUMMARY: AFTER EXTENDED NEGOTIATIONS, A CONSORTIUM OF GERMAN FIRMS SIGNED A SERIES OF COPPER AGREEMENTS ON NOVEMBER 2, 1976 IN WARSAW WITH TWO POLISH STATE FIRMS. AT THE SAME TIME, A CONSORTIUM OF GERMAN BANKS EXTENDED A DM 300 MILLION CREDIT FOR DEVELOPMENT OF POLISH COPPER DEPOSITS. END OF SUMMARY.

1. A CONSORTIUM OF WEST GERMAN FIRMS LED BY THE FRANKFURT-BASED METALLGESELLSCHAFT FINALIZED A SERIES OF AGREEMENTS ON NOVEMBER 2 FOR POLISH REFINED COPPER DELIVERIES TO GERMANY OVER A 12 YEAR PERIOD WITH THE POLISH STATE FIRMS CIE IMPEXMETAL AND PTHZ ELEKTRIX. THE AGREEMENTS, WHICH ARE THE SUBJECT OF A SEPARATE AIRGRAM, ALSO PROVIDE FOR POLISH DELIVERIES OF COPPER SEMI-MANUFACTURERS AND TECHNICAL COOPERATION.

2. AT THE SAME TIME, A CONSORTIUM OF GERMAN BANKS (DEUTSCHE BANK, CRESNER BANK, AND COMMERCZBANK), SIGNED A DM 300 MILLION CREDIT AGREEMENT WITH THE POLISH STATE TRADE BANK (BANK HANLOWY). THE LOAN, GUARANTEED BY THE GERMAN FEDERAL GOVERNMENT AND

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REPAYABLE OVER A TEN-YEAR PERIOD, IS FOR DEVELOPMENT OF POLISH

COPPER DEPOSITS.

3. A FRANKFURT-BASED AMERICAN BANKER WITH REGIONAL RESPONSIBILITIES FOR EASTERN EUROPE OFFERED THE FOLLOWING COMMENTS ON THE GERMAN-POLISH COPPER AGREEMENT AND THE RELATED CREDIT EXTENSION. ALTHOUGH THE DM 300 MILLION CREDIT IS OFFICIALLY

"UNTIED" IT WILL BE USED IN MAJOR PART TO FINANCE EXPORTS OF GERMAN MACHINERY AND EQUIPMENT FOR THE DEVELOPMENT AND MINING OF THE COPPER DEPOSITS, OR OTHER ADDITIONAL GERMAN EXPORT SALES. GERMAN BANKS ARE GENERALLY AT OR NEAR THEIR LIMITS FOR POLAND, PARTICULARLY FOR LOANS OF LONGER MATURITY. THIS AND FURTHER CREDITS WILL ALMOST CERTAINLY BE CLOSELY RELATED TO SPECIFIC GERMAN EXPORT SALES. HEAVY POLISH EXTERNAL INDEBTEDNESS AND DEBT SERVICE OBLIGATIONS NOTWITHSTANDING, GERMAN BANKS STILL VIEW POLAND AS A GOOD RISK, BALANCING COMMERCIAL AND POLITICAL CONSIDERATIONS, CONTRARY TO A COUNTRY LIKE RUMANIA, FOR EXAMPLE, POLAND IS CONSIDERED A GOOD POLITICAL RISK, SINCE IT IS CLOSELY TIED TO THE SOVIET UNION. SPECIFICALLY, IN THE EVENT OF REPAYMENT DIFFICULTIES, ON ONE HAND THE SOVIET UNION IS SEEN AS FORTHCOMING WITH FINANCIAL ASSISTANCE. ON THE OTHER HAND, POLAND IS SEEN AS RECEPTIVE TO SUCH SOVIET ASSISTANCE, AND ALSO AMENABLE TO THE INEVITABLE POLITICAL CONDITIONS THAT THIS TYPE SOVIET ASSISTANCE WOULD INVOLVE. COMMENTING ON "NORMAL" INTEREST RATE FOR LONGER TERM CREDITS TO POLAND, THIS AMERICAN BANKER QUOTED 1 3/4 - 2 PERCENT ABOVE LIBOR.

4. THE CONSULATE GENERAL IS ARRANGING MEETINGS WITH GERMAN BANKERS, AND WILL REPORT FURTHER DETAILS AND VIEWS AS OBTAINED FROM THEM. LEHMANN

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